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TAGS: [PGOV](#) [PTER](#) [ECON](#) [MARR](#) [IN](#) [NP](#)
SUBJECT: INDIAN AMBASSADOR AFFIRMS IMPORTANCE OF
U.S.-INDIAN COOPERATION ON NEPAL

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary

1. (C) In a meeting on September 18, Indian Ambassador Mukherjee told the Ambassador that he had heard that the recent meeting between Prime Minister Koirala and Prachanda had been successful. Two-on-two talks were planned, he said for September 26, 27 and 28 between the Government of Nepal (GON)'s chief peace negotiator Home Minister Sitaula and the PM's nephew on the government side and Maoist Supremo Prachanda and his deputy Bhattarai on the other. Mukherjee admitted that he was spending much of his time looking after Indian business people facing Maoist threats and cited the example of Indian Airlines. There was little he could do to help them. The Ambassador stressed the importance of the U.S. and India being on the same page and mentioned reports that Mukherjee had been complaining about U.S. security assistance to Nepal. The Indian Ambassador did not deny that he had made a complaint, but said his principal concern was the high profile of U.S. military training. The Ambassador also urged his Indian counterpart to make another attempt to persuade New Delhi to be helpful on the Bhutanese refugee issue.

Developments in the Peace Process

2. (C) Ambassador Mukherjee told the Ambassador on September 18 that he had heard that Prime Minister Koirala's meeting with Communist Party of Nepal (Maoist) (CPN-M) leader Prachanda's meeting on September 17 at the PM's residence had been a fruitful one. They had discussed all the key outstanding issues in the peace process. They had also resolved, Mukherjee stated, to organize a follow-up meeting on September 26, 27 and 28. That negotiation session would bring together the Government of Nepal's chief peace negotiator, Home Minister Sitaula, and PM Koirala's nephew Shekhar Koirala on one side and CPN-M Supremo Prachanda and his chief deputy Dr. Baburam Bhattarai on the other. The Indian Ambassador appeared supportive of this format. The Ambassador, on the other hand, voiced concern that Sitaula

and S. Koirala would be overpowered. (Note: Sitaula and S. Koirala were the two who pressed PM Koirala in June to sign the 8-Point Agreement with the Maoists, about which the PM subsequently expressed private regret. End Note.)

Helping Indian Business People

13. (C) Mukherjee told the Ambassador that he spent much of his time looking after Indian business people who were facing extortion demands and other threats from the Maoists. He had been frank, he said, telling them there was little he could do. He cited the case of the Nepal office of Indian Airlines which the Maoists had compelled to pay a large sum of money. The company's management in New Delhi said that someone in Nepal would have to repay them or they would have to take other measures. Mukherjee informed the Ambassador that he then explained that it would be impossible to recover the money but that he had an idea on how to prevent future extortion. He said he told the Nepalis that if the extortion continued Indian Airlines would fire all its permanent employees and move to a temporary contract system. The Maoists had gotten the message. Mukherjee noted that the Maoists had approached him, saying that they would be much more reliable friends of India than the parties or the King. This claim was laughable, he remarked.

The Maoist Threat to India

14. (C) The Ambassador reiterated his concerns about the negative consequences for India if the Maoists took over Nepal. It was not just a matter of providing moral support to the Indian Maoists. They would, the Ambassador insisted, be providing material support as well. Mukherjee did not

disagree. It was one thing, the Indian Ambassador added, if the Maoists came to power through an election. It would be something else if they got there through force and intimidation. The problem was the Minister Sitaula was not giving any orders to the police to enforce the law. The Government of India had even offered specific assistance to the Nepali police forces but had received no answer.

U.S. Military Assistance No Threat to India

15. (C) The Ambassador took advantage of that opening to mention that he had heard reports that Ambassador Mukherjee had complained to PM Koirala about U.S. security assistance to Nepal. The Ambassador reaffirmed that the USG had been open in declaring how it was assisting Nepal in this sector and that we had kept the Indian Embassy informed. Mukherjee did not deny that he had complained. He stressed that he had taken the initiative to discuss the issue with the PM, without instructions from New Delhi. His response, which appeared to be thought out, was that his concern was the publicity the events -- such as the recent week-long security sector reform conference -- had gotten. It might, he thought, attract unwelcome attention from the Chinese. The Ambassador explained that some of the publicity was the result of a frequent Maoist presence in the major Kathmandu hotels, but agreed that such assistance should be as low-key as possible.

Assistance on the Bhutanese Refugee Issue

16. (C) Changing the subject, the Ambassador asked if it would be possible for Mukherjee to make another attempt to persuade his government in New Delhi to get involved in the Bhutanese refugee issue. Specifically, the Ambassador asked if the Government of India would be willing to issue some sort of guarantee to the Government of Nepal that it, the GOI, would not allow the Government of Bhutan to expel any more of its ethnic Nepali residents. The Ambassador referred to the fragile status of the 100,000 plus ethnic Nepalis still in Bhutan as one of the main reasons why the GON had thus far

refused to begin allowing third-country resettlement of the approximately 100,000 Bhutanese refugees in Nepal. Mukherjee did not make any promises, but said he would try.

Comment

¶7. (C) At least in his initial comments, Mukherjee seemed more inclined to give Sitaula and the PM's nephew a decent chance of making progress on peace during talks tentatively scheduled for next week. He seemed persuaded by the end, of the conversation that such talks could instead be disastrous.

The Indian Ambassador is understandably concerned about his people; Indians face discrimination and resentment here in the best of times. The Maoists are masters at playing on these prejudices. We continue to believe that strong U.S.-Indian cooperation on Nepal policy is crucial to a positive eventual outcome. We are pleased that Mukherjee shares that view without reservation, but concerned that policymakers in New Delhi may have a rosier view of the situation than circumstances warrant.

MORIARTY